Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Forward-Looking Economic		CC Docket Nos. 96-45, 97-160
Cost Mechanism for Universal	)	DA 98-848
Service Support	)	
	)	

The Rural Utilities Service appreciates the opportunity to offer further comment to the Commission on selected issues regarding a forward-looking economic cost mechanism for non-rural carriers serving rural areas.

Before responding to the specific issues, the RUS would like to reiterate its views on cost models in general. The experience gained over the last several years has clearly demonstrated that while not as complicated as the weather, rural telecommunications systems present a difficult problem for a computer model. The RUS has serious concerns that a model will be developed which will have acceptable accuracy in all cases. It is for this reason that the RUS has strongly recommended that an alternative approach (safety valve) be adopted. A company that can demonstrate that the model produces insufficient support to carry out the purposes of the Act should be allowed to present alternatives to the model-developed costs.

The RUS appreciates the recent statements by the Chairman expressing support for abandoning an arbitrary deadline to change current universal service support mechanisms for rural LECs to a cost-model-based mechanism.

Our responses follow the numbering pattern of the Public Notice.

A. Input Issues

1. Customer Location Data.

The Metromail database of customer location data being used by the proponents of the Hatfield model shares the fundamental flaw of the various cost models themselves. The database becomes progressively less reliable as the population density falls. In other words, the data is weakest where there is the most need for accuracy. This compounds the errors in the cost models which are also weakest in low population areas.

Precise customer location information is essential to this process if there is to be any hope of making cost models work in rural areas. Implementing universal service is the fundamental reason that models are under consideration in the first place.

The RUS estimates that there are approximately 7,000,000 households living in the most rural areas, i.e., outside of any town. These households constitute the vast majority of missing data in the Metromail Database. If the Commission restricted its attention to these households, it would not be an unreasonable task to develop a geocoded database using Global Positioning Satellites, along the lines suggested by WorldCom.

If the Commission cannot develop such a database on its own, it could make the provision of accurate household site information (which carriers should have in their plant records) a requirement of the eligible telecommunication carrier which receives support.

2. **Maximum Copper Loop Length.**

The RUS contacted three suppliers: Nortel, Siemens-Stromberg, and Lucent. Nortel and Siemens indicated no difference in the cost of the cards. Lucent indicated that the long range cards are 50% more expensive than the 12,000 foot cards.

3. **Defining "Households."**

The intent of the universal service provisions of the Act of 96 is to maintain and extend universal service. At present, only 94% of the households in the United States have telephone service. This number is far lower in many parts of rural America. Therefore, a model which builds only to households that already have telephones is not compliant with the intent of the Act.

A model must reflect the reality that the eligible carrier is required to provide service upon request. This means that plant must be built which is capable of providing service to every habitable housing unit.

To put this issue into human terms illustrates its enormous importance. The Commission has recognized that Native American communities are traditionally under-served. If the Commission permits *households* to be defined for cost model purposes as those establishments that already have telephone service, the support available in these under-served Native American communities will not be adequate to enable an eligible telecommunications carrier to extend new service to unserved households. Thus, the Commission would adopt a definition that would perpetuate a problem that Commission members have stated must be resolved.

With regard to the question raised in the last sentence of this section of the notice, the RUS believes that wire center boundary data and numbers of lines should be provided by any eligible telecommunications carrier, not just incumbents, if it facilitates the task of accurately calculating universal service support.

B. Revenues to be Included and Level of the Benchmark

When the Commission reduced the minimum supported bandwidth (from 500-4000 Hz to 300-3000 Hz in the Fourth Order), it removed the possibility that any advanced service could be provided over such minimum facilities. This change from the recommendation of the Joint Board clearly is at odds with the universal service principles in Section 254 (b) which were reiterated in the Joint Board's recommendation, in particular principles two and three concerning universal access to advanced services. It is also at odds with Section 706 which requires the Commission to facilitate the deployment of broadband facilities to all Americans. The Commission should not compound this bandwidth reduction by including revenues from advanced services, which will be universally available in urban areas but not in rural areas, to further reduce the level of universal service support. If the revenue benchmark is used, it should be based only on the revenue from traditional analog telephone service - the service that can be provided with a 2700 Hz bandpass.

The RUS has filed ex parte comments on the bandwidth issue and has maintained that the Commission's December 30, 1997, action will result in rural residents being unable to achieve modem performance of comparable quality (28.8 kb/sec) to their urban counterparts.

Conclusion

The Commission should develop, or require non-rural carriers to provide, accurate customer location information for their service to the most rural areas. Plant designs under cost models should be capable of providing service to every inhabitable establishment. If a revenue benchmark is used, it should be based only on the revenue derived from traditional analog telephone service because the supported bandwidth can provide nothing else.

The RUS appreciates this opportunity to comment.

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